PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

MULTI MANAGER TARGET RETURN FUND

QUARTER 3 (Q3) 2017: 1ST JULY TO 30TH SEPTEMBER

Welcome to the latest edition of the Multi Manager Target Return Fund quarterly update. In this edition we review

- Some key moments and economic events impacting on investment markets during quarter 3 (from start of July to end of September)
- Which asset classes were up and which were down?
- The structure of the fund and a summary of the fund managers and their strategies including the new changes made in the fund since last update.
- The drivers of the very strong performance since launch in January 2016 (+10.2% to 30/09/2017) by strategy and by individual fund.

Returns shown are to 30 September 2017 and are gross, before any charges or tax.

The Multi Manager Target Return Fund invests in a number of external funds managed by expert investment managers. The underlying funds invest in a wide range of assets, using a variety of investment strategies. This fund aims to achieve a gross return of 4% over cash, measured over a rolling four-year period. This is an Irish Life fund managed by Irish Life Investment Managers (ILIM).

1 UNIQUE MULTI MANAGER APPROACH:

- Accesses world class, diversified manager styles and skill sets
- Reduces single manager or single fund selection risk
- A robust and flexible manager selection process seeks to maximise investment opportunities

2 CLEAR CASH + TARGET RETURN:

- Aims for a gross return of 4% per annum over cash* measured over a rolling 4-year period**
- Targets positive returns not directly linked to market ups and downs

3 BENEFIT OF TARGET RETURN FUNDS:

- Seeks equity-like returns with less volatility (volatility is potential ups and downs that a fund may experience over time)
- Diverse source of return which helps smooth the investment journey.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: The value of your investment may go down as well as up.

Warning: This fund may be affected by changes in currency exchange rates.

* 4% return over cash, where cash is measured by EONIA (Euro Over Night Index Average) which is the rate at which banks provide loans to each other with a duration of 1 day. 4% target is gross of standard charges and net of external manager variable charges.

** This means that the return will be calculated as the average annual return achieved over the previous four years.

QUARTER 3 2017 ECONOMIC LOOK-BACK

By David Haslam

IS A STRONG CURRENCY A GOOD CURRENCY?

From the start of July to the end of September (quarter 3), global share markets rose an impressive +4.5%. Unfortunately, investors based in the eurozone were only up +1.6% due to the impact of turning gains made in foreign currencies back into euro. Why so? Simply, the value of a euro has gone up against most major currencies so while you get more sterling or US dollars for each euro, the flipside is that you get less euro when converting back from sterling or dollars. This is obviously good for people taking holidays outside the eurozone or importers paying for foreign goods and services. It is not so good for people from outside the eurozone taking holidays here or exporters paid in foreign currency. Ireland is a small open economy with large tourism and exporting businesses, which are suffering currently. With Brexit potentially pushing the euro closer to parity against sterling, there may be more pain to come for certain sectors.

WINTER OF DISCONTENT

Let's hope it's a mild winter. During quarter 3, commodities rose +7.2% but in particular, oil rose +12.2%. OPEC (Organisation of Petroleum Exporting Countries) control over 44% of global oil production and 73% of global oil reserves. They meet regularly to discuss the supply and demand balance that dictates the oil price. They suggested that existing production cuts could extend beyond March 2018 which is not good news for users. Furthermore, a slowdown in the pace of oil rig building in the US, lower oil inventories, increased demand expectations and concerns over supplies from Kurdistan and Iraq are likely to keep the price at current levels, or potentially push them higher.

BROKEN BREXIT

Progress in Brexit talks between the UK and the EU has been slow. The EU are sticking to three key issues that need to be resolved – how much the UK need to pay to exit the EU based on previous commitments made, citizen's rights post Brexit and the treatment of the border between Ireland and Northern Ireland. With the current scheduled exit date of March 2019, a transitional deal is being discussed as an option to avoid a 'cliff edge' impact that neither side seem prepared for. This would provide more time in particular for the UK government but also companies and individuals to prepare for the ultimate exit. In the meantime, the protracted nature of the talks is continuing to act as a drag on the UK economy.

SHARES, BONDS, COMMODITIES AND CURRENCIES...

The MSCI AC World share index rose +4.5% during quarter 3 (+1.6% in euro). The US stock market was also up +4.5% (+0.8% in euro) while the eurozone and emerging markets posted strong returns up +4.7% and +7.7% (+4.2% in euro) respectively. The Japanese share market was up +1.6% (-2.14% in euro), the UK rose +1.8% (+1.5% in euro) and the Pacific region was up +2.2% (+0.04% in euro). In bond markets, the eurozone >5 year sovereign bond benchmark rose +0.8% despite German 10 year bond yields remaining largely unchanged at just +0.46%.

In currency markets, the euro rose from 1.14 to 1.18 against the US dollar driven primarily by speculation over tighter ECB monetary policy and reduced expectations over the speed of US interest rate increases.

Commodities rose +7.2% (+3.4% in euro) with WTI oil up 12.2% as OPEC suggested it might extend oil production cuts beyond March next year.

Source: **David Haslam**, Head of Retail, Irish Life Investment Managers (ILIM), 30 September 2017.

QUARTER 3 2017 FUND UPDATE

By Peter Haran, Head of Alternative Strategies

Peter Haran is the Head of Alternative Strategies at ILIM. Peter joined ILIM from the National Treasury Management Agency (NTMA) in 2014 where he was Head of Investment Strategy for the National Pensions Reserve Fund (NPRF) for seven years. As chair of the NPRF Investment Committee, Peter was responsible for identifying investment opportunities and proposing tactical asset allocation positions across all asset classes. Before joining the NTMA Peter was a fund manager at IIU Asset Strategies.

Peter has a degree in Applied Mathematical Sciences and a Masters in Computer Applications from Dublin City University.

The Multi Manager Target Return Fund was launched in January 2016. The fund invests in a range of external funds managed by world class investment managers. We strongly believe that target return funds should be delivered in a manner that reduces fund selection and single manager risks, while benefiting from the increasing number and type of strategies available in the market place. This is achieved in the Multi Manager Target Return Fund by investing in a range of investment strategies through multiple external fund managers.

FUND STRATEGIES

The Multi-Manager Target Return Fund has returned +1.2% in quarter 3 2017 to give a return of 3.7% so far in 2017 to 30th September and has returned +10.2% since it was launched in January of 2016.

The positive performance in quarter 3 came from across the portfolio. The core portfolio again generated a positive return, continuing a strong run from 2016 and so far in 2017. The satellite elements also contributed positively in the third quarter with the exception of the Macro and Tactical strategies.

Credit continued its strong performance from 2016 and the first half of 2017 through to quarter 3.

Warning: Past performance is not a reliable guide to future performance.

Returns shown are to 30 September 2017 and are gross, before any charges or tax.

PORTFOLIO UPDATES

During the quarter, portfolio holdings in JP Morgan Systematic Alpha Fund and Morgan Stanley Diversified Alpha Plus Fund were fully redeemed, with new allocations made to GMO Systematic Global Markets Fund and BlackRock Style Advantage.

FUND STRUCTURE

The Multi Manager Target Return Fund consists of a mix of core and satellite fund strategies.

The "core" portion of the portfolio is invested primarily to provide exposure to more traditional asset types such as shares and bonds. By investing in a variety of different investment styles, the core strategy aims to deliver diverse market based returns with lower risk than broader share markets.

The "satellite" portion is invested to provide diversification to these traditional asset types. Satellite strategies make up a smaller portion of the fund and seek to achieve higher returns through external manager skill rather than market performance alone.

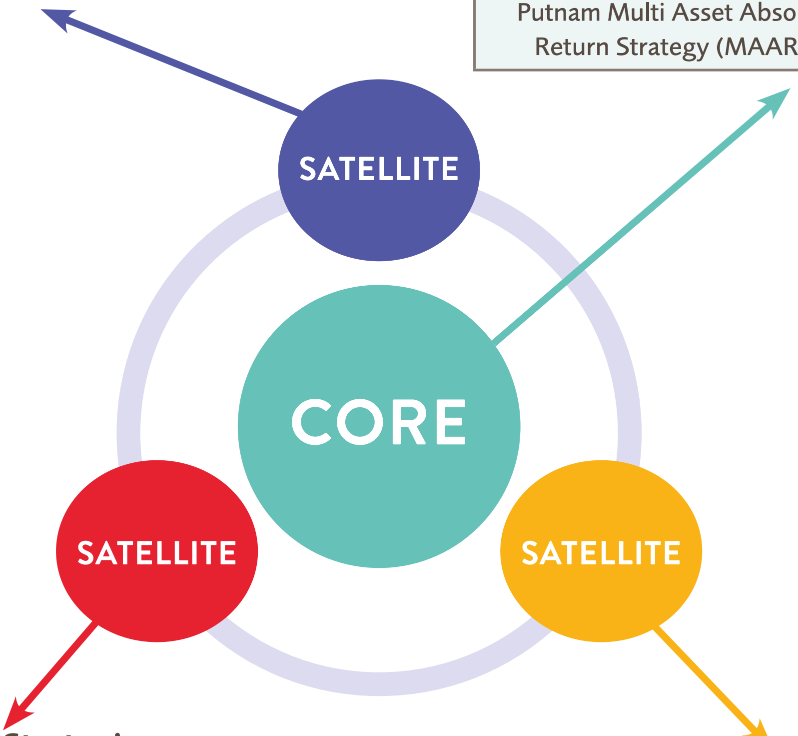
CORE AND SATELLITE STRATEGIES

Alternative Return Strategies

FUND	MANAGER ASSETS
Blackrock Style Advantage Fund	$5.7 tn**
AQR Style Premia Fund	$207 bn***

Diversified Return Strategies

FUND	MANAGER ASSETS
GMO Real Return Fund	$77 bn**
AQR Global Risk Parity Fund	$207 bn***
Putnam Multi Asset Absolute Return Strategy (MAARS)	$168bn***



Global Opportunity Strategies

FUND	MANAGER ASSETS
Montlake Dunn WMA Fund	$3.2 bn*
GMO Systematic Global Markets (SGM) Fund	$77 bn**

Credit Strategies

FUND	MANAGER ASSETS
Blackrock FIGO Fund	$5.7 tn**
PIMCO Income Fund	$1.61tn**
DB Platinum MidOcean Fund	$5.3 bn*

*Correct as at 31 March 2017.

**Correct as at 30 June 2017.

***Correct as at 30 September 2017.

ALTERNATIVE RETURN STRATEGIES	These are non-traditional strategies relying on 'hedge fund' / skill based strategies.
DIVERSIFIED RETURN STRATEGIES	These strategies aim to deliver share market type returns using different investment approaches.
GLOBAL OPPORTUNITIES STRATEGIES	These managers monitor themes or trends in markets and invest to take advantage of identified opportunities. Some are very short term, some are over longer periods.
CREDIT STRATEGIES	These strategies aim to generate return by investing in traditional and non-traditional types of credit such as corporate bonds and mortgage backed securities.

FUND SUMMARY

DIVERSIFIED RETURN STRATEGIES	
GMO Real Return Fund	This is an actively managed portfolio of assets with GMO choosing these assets across different asset classes driven by their own internal models, which focus strongly on valuations.
AQR Global Risk Parity	This large, well-diversified fund chooses investments based on a risk-weighting approach and aims to provide higher risk-adjusted returns than traditional market exposures. The fund consists of over 50 underlying investments across three main asset categories.
Putnam Multi Asset Absolute Return Strategy (MAARS)	This actively-managed fund has two parts - one investing in a number of asset classes across broad and diversified market exposures. The other is around opportunistic pair trading. This is where skilful managers take opposite positions (buy/sell) in two different stocks aiming to make more in one than they lose in another which gives a neutral market position overall and avoids market risk.
ALTERNATIVE RETURN STRATEGIES	
AQR Style Premia	This fund aims to produce high, risk-adjusted returns while maintaining low-to zero correlation to traditional markets. This is achieved by constructing a global diversified, absolute return portfolio with exposure to a number of investment styles.
BlackRock Style Advantage Fund	The Fund aims to achieve a positive absolute return through a combination of capital growth and income, providing exposure to styles such as momentum, value, carry, defensive. The fund invests on a global basis with low correlation to broader markets.
CREDIT STRATEGIES	
BLACKROCK FIGO	This fund is a global fixed interest fund that aims to generate returns from long and short exposures in credit markets. Typically, the fund may have exposure to many non-traditional credit risks such as mortgage-backed securities and emerging market debt which helps diversify the more traditional fixed interest investment exposures found in multi-asset funds.
PIMCO Income	This fund seeks to generate a competitive monthly dividend while also maintaining a focus on a long term return. The fund aims to achieve this by employing PIMCO's best income generating ideas across global fixed income sectors with an explicit mandate on risk-factor diversification.
DB Platinum MidOcean	This fund exploits persistent efficiencies in the high yield bond market, with a focus on callable bonds.
GLOBAL OPPORTUNITIES STRATEGIES	
Montlake Dunn WMA	This fund focusses on medium to long-term investment trends. It takes long and short positions in financial, energy, metal and agricultural futures markets. This fund aims to generate profits from investments with a very low correlation to traditional asset classes.
GMO Systematic Global Markets (SGM) Fund	The Fund seeks to take advantage of the GMO Systematic Global Macro team's proprietary investment models for global tactical asset allocation and equity, bond, currency, and commodity market selection.

The funds that the Multi Manger Target Return Fund invests in may change over time. For the actual Multi Manager Target Return Fund mix, see the latest factsheet at **www.irishlife.ie**

PERFORMANCE

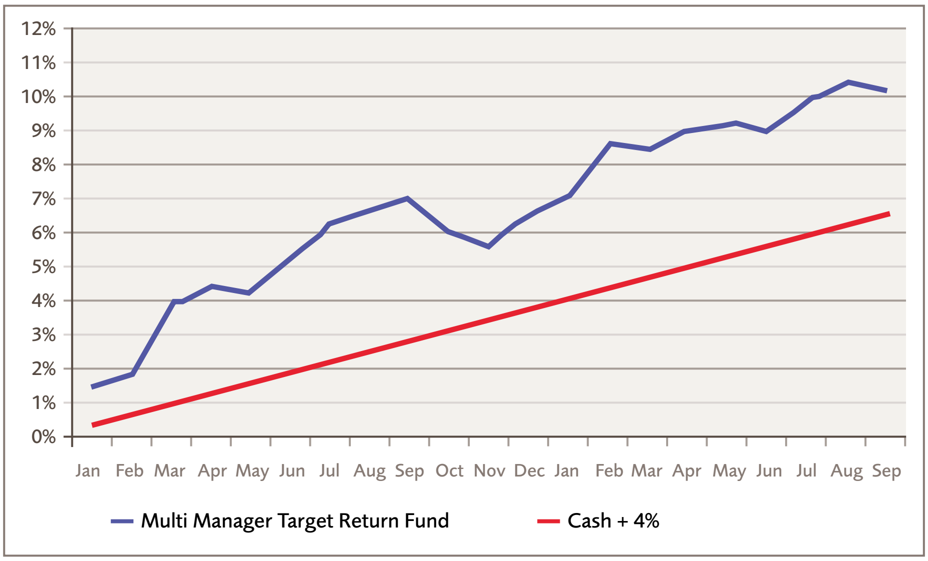
Market Background

Over the quarter, global stock markets continued their positive momentum (in local currency terms up but not as impressive in euro terms because of euro strength) from quarter 1 and quarter 2, supported by the improvement in economic news flow, better earnings and renewed hopes that some form of fiscal stimulus in the US could still be implemented. Eurozone government bonds also rose in value over the quarter, influenced by speculation over the likely path of ECB policy and the persistence of low inflation. Volatility remained low over most of the quarter.

PERFORMANCE SINCE LAUNCH AGAINST CASH PLUS 4% BENCHMARK

The fund had a good first half to the year and this has continued into quarter 3. The fund is outperforming the benchmark on a year to date basis and since launch. Diversified Return strategies have performed well so far with all three managers contributing strongly.

Credit continued to contribute positively in quarter 3. Alternative Returns also added to return, with a further improved quarter 3. The macro and tactical strategies detracted from performance during the quarter.

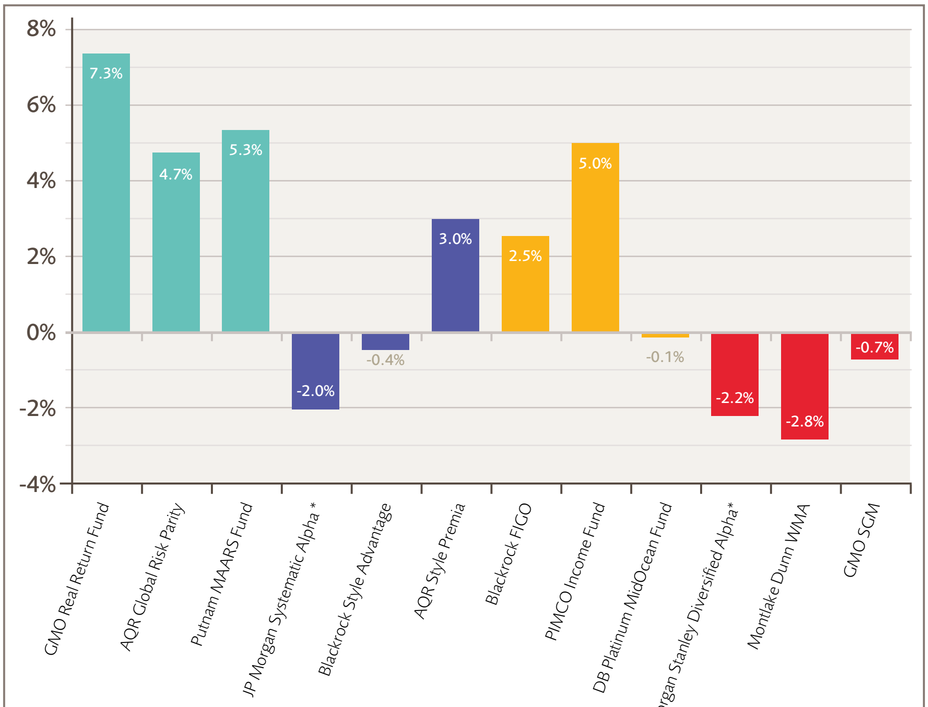


Source: Irish Life Investment Managers (ILIM).
Returns shown are to 30 September 2017 and are gross, before any charges or tax.

PERFORMANCE BY FUND YEAR-TO-DATE (1ST JANUARY 2017 TO 30TH SEPTEMBER 2017)

The GMO Real Return Fund has generated strong performance year to date with emerging market equities in particular driving performance. AQR Style Premia saw improved performance in the quarter with currencies and fixed income contributing. Putnam MAARS was also positive during the quarter with both the directional and nondirectional parts of the strategies contributing positively.

Note: the contribution to performance of an individual strategy or fund depends on the weight of that strategy or fund in the overall fund. Source: Irish Life Investment Managers (ILIM). Returns shown are to 30 September 2017 and are gross, before any charges or tax.



*Funds marked with an asterisk have since been removed.

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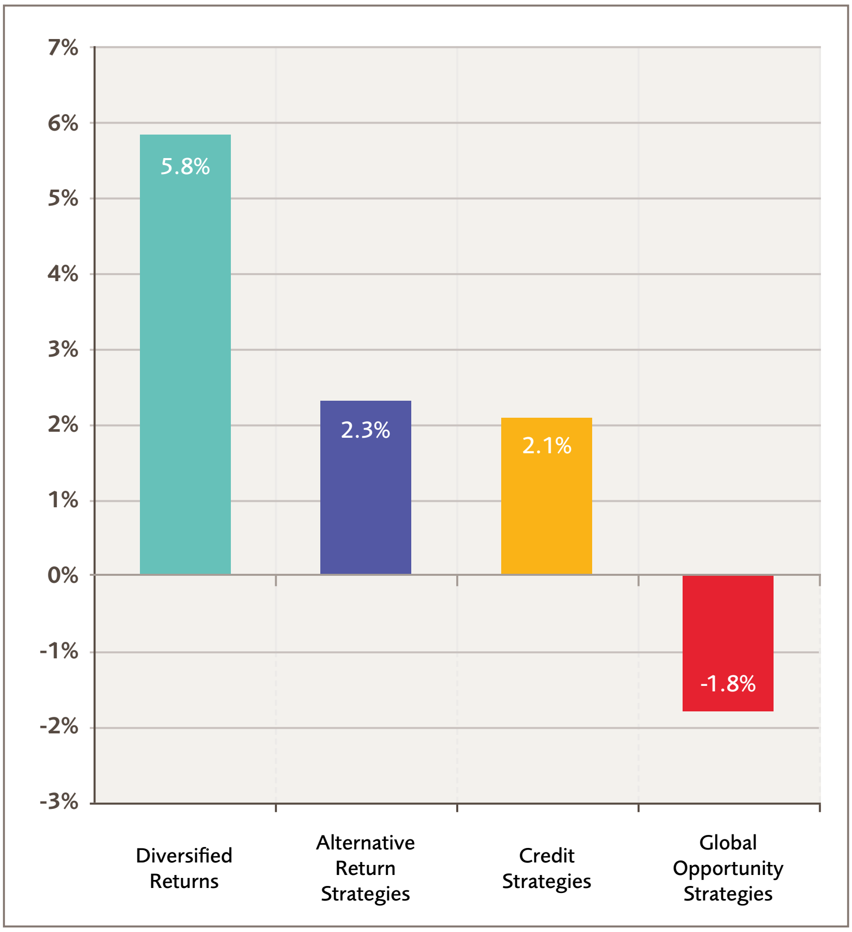
PERFORMANCE BY STRATEGY YEAR-TO-DATE (1ST JANUARY 2017 TO 30TH SEPTEMBER 2017)

Diversified Returns – This strategy has exposure to risky assets such as shares and bonds, and continues to perform well since the fund launched in January 2016 through to this year. GMO Real Return, AQR Global Risk Parity and Putnam MAARS Fund all contributed positively. At different stages of this year strong returns have come from developed shares, bonds, commodities and emerging market shares.

Alternative Returns – which replicate hedge fund type strategies continued on the improved performance from quarter 2. Style factors contributed in particular.

Credit Strategies – The Credit part of the portfolio has continued its strong run with a range of fixed interest strategies contributing to the overall performance.

Global Opportunities – We fully redeemed the Morgan Stanley Diversified Alpha Plus holding and replaced it with the high conviction addition of the GMO Systematic Global Markets (SGM) Fund during the quarter. Montlake Dunn was negative in quarter 3 as it continues to weather the storm currently affecting CTAs (Commodity Trading Advisors). It is worth noting that it continues to outperfrom peers and we still consider CTAs to be an excellent source of return and diversification in the long term.



Note: the contribution to performance of an individual strategy or fund depends on the weight of that strategy or fund in the overall fund so above returns are approximate. Source: Irish Life Investment Managers (ILIM).

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ILIM'S CREDENTIALS

About Irish Life's investment managers

Our investment manager is internationally recognised for their expertise, innovation and track record and are multi award winners:

2014 European Pension Award Winners -

- Best Equity and
- Best Passive Manager Awards.

The only Irish investment manager to win an award and the only manager in Europe to win 2 awards.

2014 Irish Pension Awards - Alternatives Investment Manager of the Year.

2013, 2014 and 2015 Irish Pension Awards - Investment Manager of the Year.

2016 Irish Pension Awards - Passive Manager of the Year.

2017 Longboat Analytics Awards - Best Investment Provider.

2016 Longboat Analytics Awards - Best Innovation in Financial Services.

Our investment manager takes care of **€65.7 BILLION** (as at 30/06/2017).

For more details please see www.irishlife.ie/investments or contact your financial broker or financial adviser.